



## Mozambique: Ematum Bonds Enter State Budget

12 DECEMBER 2013

Maputo — Mozambican Finance Minister Manuel Chang announced on Thursday that the government has accepted a proposal from the parliamentary Plan and Budget Commission (CPO) to include in the 2014 state budget the purchase of 30 ships from a shipyard in Cherbourg, France.

The ships were purchased by EMATUM (Mozambican Tuna Company), and consist of 24 tuna fishing vessels (a mixture of trawlers and longliners) and six patrol vessels.

EMATUM is a private company, but its three shareholders are all state bodies. The major shareholder is the Institute for the Management of State Holdings (IGEPE), with 34 per cent. The other shareholders are the state fishing company Emopesca and GIPS (Management of Investments, Holdings and Services), with 33 per cent each. GIPS was set up in December 2011, and its main shareholder is the social services of the State Intelligence and Security Service (SISE).

EMATUM financed the purchase of the ships by issuing bonds on the Eurobond market. The bond issue was initially for 500 million US dollars, but it was oversubscribed and EMATUM ended up issuing bonds for 850 million dollars. The government has guaranteed the bonds which will have a final yield of 8.5 per cent.

Looking at the bonds, the CPO said they could be divided into two components - the first, for 350 million dollars covers the purchase of the boats and other equipment for coastal protection, and for economic activities within Mozambican territorial waters. It is this capital expenditure which the CPO believed should be placed within the budget.

The remaining 500 million dollars is intended to finance the operations of the tuna fleet, and the processing and export of tuna. This will remain an EMATUM debt, guaranteed by the government.

350 million dollars is equivalent to 10.92 billion meticaais, and this has simply been added to the budget in the line for Defence Ministry capital expenditure, which rises from 594.54 million meticaais to 11.51 billion meticaais (an increase of 1,836 per cent).

This means that the entire capital expenditure in the budget financed by external resources (in this case, the Eurobonds) rises to 58.87 billion meticaais. The capital budget as a whole rises from 89.85 to 101.36 billion meticaais (or from 16.8 to 18.9 per cent of Mozambique's gross domestic product).

The CPO also insisted that, to make the EMATUM bonds legal, clauses in the budget law on foreign credits for investment and on government guarantees must be changed. To accommodate the 10.92 million meticaais that the boats and their accessories cost, the limits on foreign credits for investment projects must be raised from 25.16 to 36.08 billion meticaais.

The remaining 500 million dollars (15.6 billion meticaais) of the EMATUM bonds are guaranteed by the government. But the initial draft of the 2014 budget law limited government guarantees to 183.5 million meticaais. The CPO insisted that the full 500 million dollars must be included here which raises the limit by a massive 8,500 per cent, to 15.78 billion meticaais.

The CPO also noted that the approval last week by the country's parliament, the Assembly of the Republic, of a budget for itself in excess of what the government had proposed means that the expenditure side of the state budget must rise by a further 50.99 million meticaais.

The CPO also noted that an increase in the number of beneficiaries for various government welfare programmes would require an additional expenditure, by the Ministry of Women's Affairs and Social Welfare of 215 million meticaais.

To accommodate all these increases total state expenditure in the budget must rise from 229.72 to 240.91 billion meticaais, and the deficit rises by the same amount - from 82.35 to 93.54 billion meticaais (an increase of 13.6 per cent).

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